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C O N F I D E N T I A L SECTION 01 OF 03 NICOSIA 001543

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TAGS: PGOV PREL EUN TU CY  
SUBJECT: "TRNC GOVERNMENT" CALLS IT QUILTS

REF: A. LIBBY-SILLIMAN EMAIL (09/08/2006)  
¶B. NICOSIA 975  
¶C. NICOSIA 959  
¶D. NICOSIA 47  
¶E. NICOSIA 1345

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Classified By: Amb. Ronald L. Schlicher, reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. The ruling coalition in the "TRNC" resigned on September 11 following months of internal wrangling in the wake of June parliamentary bi-elections. Talat ally "PM" Soyer, from the ruling CTP, announced his resignation and said he would seek "new formulations," ditching "DPM" and "FM" Serdar Denktash and leaving the "TRNC" without a Denktash in high office for the first time ever. Soyer will probably turn to a break-away group from the main opposition UBP, and reportedly plans to make the leader of this group -- relative political lightweight Turgay Avci -- the new "foreign minister" in order to secure a Serdar-free parliamentary majority. Such a cabinet realignment would be unlikely to produce any major shifts in the Turkish Cypriot approach to the Cyprus problem, although it would represent a milestone in internal politics, with the dominant CTP party machine increasing its grip on power as the fractious right wing continues to flounder. Ankara's role in the cabinet reshuffle is murky and the subject of much speculation, but it seems unlikely that the new arrangement does not have the blessing of the Turkish Cypriots' large and influential neighbor and benefactor. END SUMMARY.

CTP DROPS SERDAR

¶2. (SBU) Late in the evening of September 8, "TRNC PM" Ferdi Soyer (head of the center-left CTP and a close ally of "President" Mehmet Ali Talat) announced he would dissolve the "government" on September 11, ending a partnership that had existed between the self-declared pro-solution CTP and the more nationalist DP of Serdar Denktash since before the 2004 Annan Plan referendum. Soyer's announcement that he would seek "new formulations" to rule suggests that soon, for the first time ever, there will be nobody named Denktash in high office in the "TRNC."

¶3. (C) Under the Turkish Cypriot constitution, "President" Talat will give Soyer (as leader of the largest party in "parliament," with 25 out of 50 seats) first crack at forming a new "government." Soyer is expected to turn to a four-man, motley crew of "MPs" led by Turgay Avci (who recently defected from the main right-wing opposition UBP) to create a new absolute majority. CTP sources have indicated they expect the new cabinet to be in place within two weeks, and Avci told us privately that he has similar expectations.

¶4. (C) The CTP-DP divorce puts an end to the previous modus

vivendi between the two coalition partners, a rocky partnership in which CTP had a free hand in most domestic matters and -- through Talat -- in the most important questions of foreign affairs, such as the Cyprus problem and relations with the EU. In exchange, Serdar was left to handle second-tier international questions (attending the OIC as "TRNC FM," for example, and trying to drum up diplomatic support in Africa), and reportedly allowed to line his own pockets through DP's other two "ministries," Agriculture and Economy/Tourism (which regulates casinos and is rumored to be a rich source of kick-backs for the Denktash clan).

¶ 15. (C) This mutually beneficial, if unsavory, arrangement came off the rails only recently (ref a). Political relations between the two parties (as well as personal relations between Soyer and Serdar) took a marked turn for the worse after June elections in which the CTP improved its position in "parliament," but the DP unexpectedly won control of the powerful Nicosia municipality (ref b). Insiders from both parties accuse each other of overestimating the significance of their relative victories in June, and note that negotiations on a new "government protocol" quickly bogged down over portfolio disputes and "public administrative reform" (i.e., the division of spoils and control of such important sub-cabinet agencies like the electricity authority).

WHAT'S NEXT?

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¶ 16. (C) Soyer aide Erkut Sahali confirmed to us privately that the "PM had already more or less completed" negotiations with Avci and his allies, who are expected to form a new party and -- if they can recruit a crucial fifth member -- a new "parliamentary group" that would have the right to sit on all the committees in the "TRNC" legislature. According to Sahali, the current plan is for Avci to assume Serdar's old titles of "DPM" and "FM," while his as-yet unnamed party

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would assume control of the DP's other two ministries.

¶ 17. (C) Sahali noted that in exchange for being plucked from relative obscurity and given "ministries" to run, Avci and his allies had agreed to accept the "public administrative reforms" that CTP had previously failed to extract from DP. Sahali suggested that this might involve the rejigging of ministerial portfolios -- with, for example, a new Environment "Ministry" (in CTP hands) perhaps taking over some of the more powerful functions relating to tourism or agricultural subsidies. The details, Sahali said, were still up in the air but the broad outlines of the deal were in place and would provide CTP with a much stronger hand in government than it currently enjoys. Sahali did note, however, that Avci was a "careerist" and admitted he might prove to be a difficult and unreliable partner -- even if he appeared to be a more palatable, easy-to-manage partner than Serdar at the moment.

¶ 18. (C) This change will likely leave Serdar out in the cold; although his DP still controls Nicosia and some other smaller municipalities, many observers feel that Serdar will have trouble keeping his party together without the direct ability to distribute patronage. The DP is widely viewed as a collection of opportunists united only by a vague nationalist, Denktashian orientation. If this is true, and Serdar cannot find a way back into government, DP support may suffer over time as both strap-hangers and true believers migrate to other parties with better prospects.

¶ 19. (C) Meanwhile, although Avci claims to have the high-minded goal of creating a truly "liberal, center-right formation," most observers agree with Sahali's initial assessment that Avci has made an opportunistic move in order to get into government faster than he would have had he stayed with UBP. His defection from UBP (he had been SYG of

the party until a few days ago), however, appears to have delivered a fatal blow to the short-lived party leadership of Huseyin Ozgurgun. The inexperienced Ozgurgun, who was not able to rescue his party's sagging fortunes in June's elections, has announced he will not seek reelection to the top job later in 2006. So far, only the charismatic (but radically nationalist) former "FM" Tahsin Ertugruloglu has announced his decision to run for the top party job -- although other candidates, including those who would do the bidding of the retired, but still-powerful former party leader and ex-"PM" Dervis Eroglu may yet emerge.

#### THE TURKEY FACTOR

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¶10. (C) The role played by Ankara (whether the AKP, the "Deep State," or both) in the coalition collapse is unclear -- although the left-wing press has speculated that the splintering of the UBP, the expulsion of the DP, and the further consolidation of the CTP have all been orchestrated to some extent by Turkey. The latest rumor is that Avci and his allies received USD 2 million each to defect from UBP, perhaps to punish the party for disobeying Turkey's request that it not challenge the "TRNC's" new property scheme (ref c). Other commentators suggest that the Denktash clan's chickens are finally coming home to roost after Rauf had the audacity to oppose Turkey over the Annan Plan.

¶11. (C) Even less conspiratorial observers assume, however, that Serdar's departure must have had the blessing of the GOT. Serdar is widely believed to have functioned as an insurance policy inside the "TRNC government," giving an uneasy Turkey one additional form of leverage over the leftist Talat lest he decide to go off the reservation and give away too much in settlement talks or otherwise undermine the "TRNC." It is possible that the AKP feels that Serdar may have outlived his usefulness, however. We have heard credible reports that during a recent visit to Turkey, Soyer was "given the green light" by Erdogan to reshuffle his cabinet and ditch DP -- provided he could do so without inviting the "anti-Turkish" BDH of "MP" Mustafa Akinci into power. Keen to play up their own independence, key Turkish Cypriot players are quick to deny that Turkey has orchestrated this government change, although in an unguarded moment Avci privately admitted to us that he had, indeed, received "encouragement" from Turkey to break off from UBP and do a deal with CTP.

COMMENT: THE MORE THINGS CHANGE...

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¶12. (C) While we cannot confirm what Turkey's role in the reshuffle has been, rumors that AKP has nudged along this change of government would be consistent with Ankara's tradition of influencing politics in the north by dropping quiet -- but specific and sometimes menacing -- suggestions in the ears of the Turkish Cypriot leadership (ref d).

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¶13. (C) INTERNALLY, CTP'S DECISION TO DUMP SERDAR IS SIGNIFICANT. IT MARKS A FURTHER CONSOLIDATION OF POWER FOR THE FORMER-COMMUNIST PARTY -- WHICH HAS A MIXED RECORD ON INTERNAL GOVERNANCE AND ECONOMIC REFORM, BUT NONETHELESS IS A MARKED IMPROVEMENT OVER THE PREVIOUS DENKTASH-DOMINATED GOVERNMENTS. ALTHOUGH THE CTP'S ELECTORAL HONEYMOON IS LONG

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OVER, AND IT MUST NOW CONTEND WITH ANGER AND FRUSTRATION OVER THE LACK OF A SOLUTION TO THE CYPRUS PROBLEM AND THE TURKISH CYPRIOTS' CONTINUED "ISOLATION," TALAT'S PARTY IS STILL POLITICALLY DOMINANT IN THE NORTH. ITS STRONG PARLIAMENTARY NUMBERS, STRICT INTERNAL DISCIPLINE, AND GENERAL SUPPORT ARE STILL SUFFICIENT THAT IT CAN EASILY FLIP ITS RIVALS (LIKE

SERDAR) AND STAY IN POWER -- A SITUATION THAT WILL CONTINUE AS LONG AS THE RIGHT REMAINS DISUNITED, IDEOLOGICALLYADRIFT, AND SADDLED WITH UNINSPIRING LEADERS.

¶14. (C) EXTERNALLY, HOWEVER, THE CHANGES IN GOVERNMENT ARE UNLIKELY TO PRODUCE MUCH CHANGE. THE UNRECOGNIZED "TRNC FM" IS A TOOTHLESS POSITION WHEN ONLY THE COMMUNITY LEADER, TALAT, CAN HAVE SERIOUS SUSTAINED DIALOGUE WITH THE OUTSIDE WORLD. THE NEW "GOVERNMENT" WILL LIKELY CONTINUE ITS EFFORTS TO CARVE OUT AREAS OF POLICY INDEPENDENCE FROM TURKEY WHERE POSSIBLE, BUT THIS WILL PROBABLY NOT GO VERY FAR AND IS UNLIKELY TO PRODUCE ANY SUDDEN FLEXIBILITY ON CYPRUS TALKS. TALAT'S RECENT RIGHTWARD LURCH AND MORE HARD-LINE RHETORIC IN HIS DEALINGS WITH THE UN (REF E) MAY HAVE REASSURED TURKEY

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THAT THEY HAD NOTHING TO DREAD IN AN ADMINISTRATION WITHOUT DENKTASH. IN ANY CASE, THE NEW "GOVERNMENT" WILL STILL BE SUSCEPTIBLE TO PRESSURE FROM ANKARA, STILL DEPEND ON A NATIONALIST/OPPORTUNIST GROUPING FOR ITS PARLIAMENTARY MAJORITY, AND STILL HAVE TO CONTEND WITH DOMESTIC UNWILLINGNESS TO GIVE ANY MORE "CONCESSIONS" TO THE GREEK CYPROTS.

¶15. (U) POST WILL REPORT SEPTEL ON THE COMPOSITION OF THE NEW "GOVERNMENT" AND THE BACKGROUND OF NEW "MINISTERS" AS EVENTS UNFOLD. END COMMENT.  
SCHLICHER